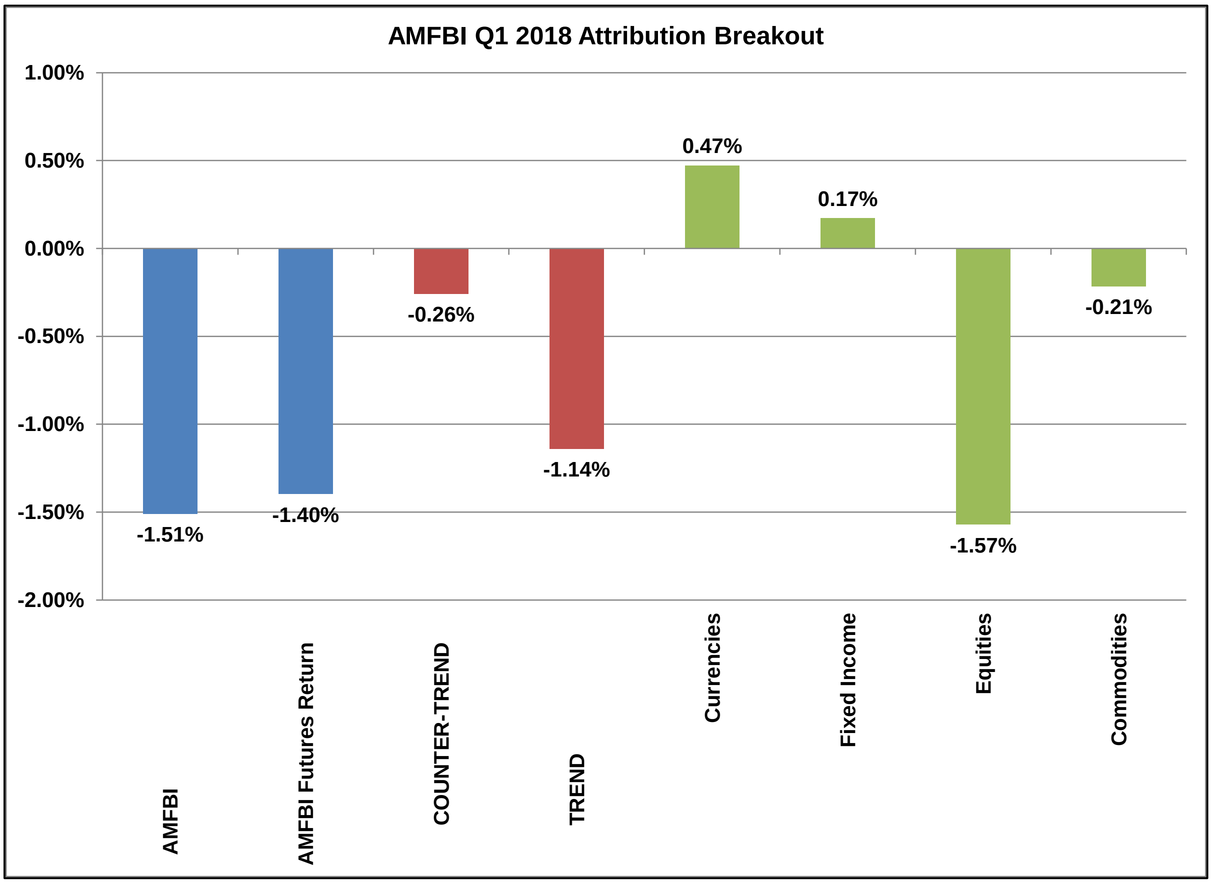
ASPEN MANAGED FUTURES BETA INDEX QUARTERLY COMMENTARY
FIRST QUARTER 2018

Overview

- The Aspen Managed Futures Beta Index (AMFBI or the Index) returned -1.51% in the first quarter of 2018, via monthly returns of +2.51%, -3.88%, and -0.04% in January, February, and March, respectively.
- By comparison, the industry average BTOP50 Index returned -2.47% for the quarter.[1] The path for the BTOP50 and for most managed future funds involved greater swings to the upside and downside than were experienced in AMFBI, for reasons discussed below.
- The primary source of return attribution for the quarter was trend following exposures in the equity asset class.

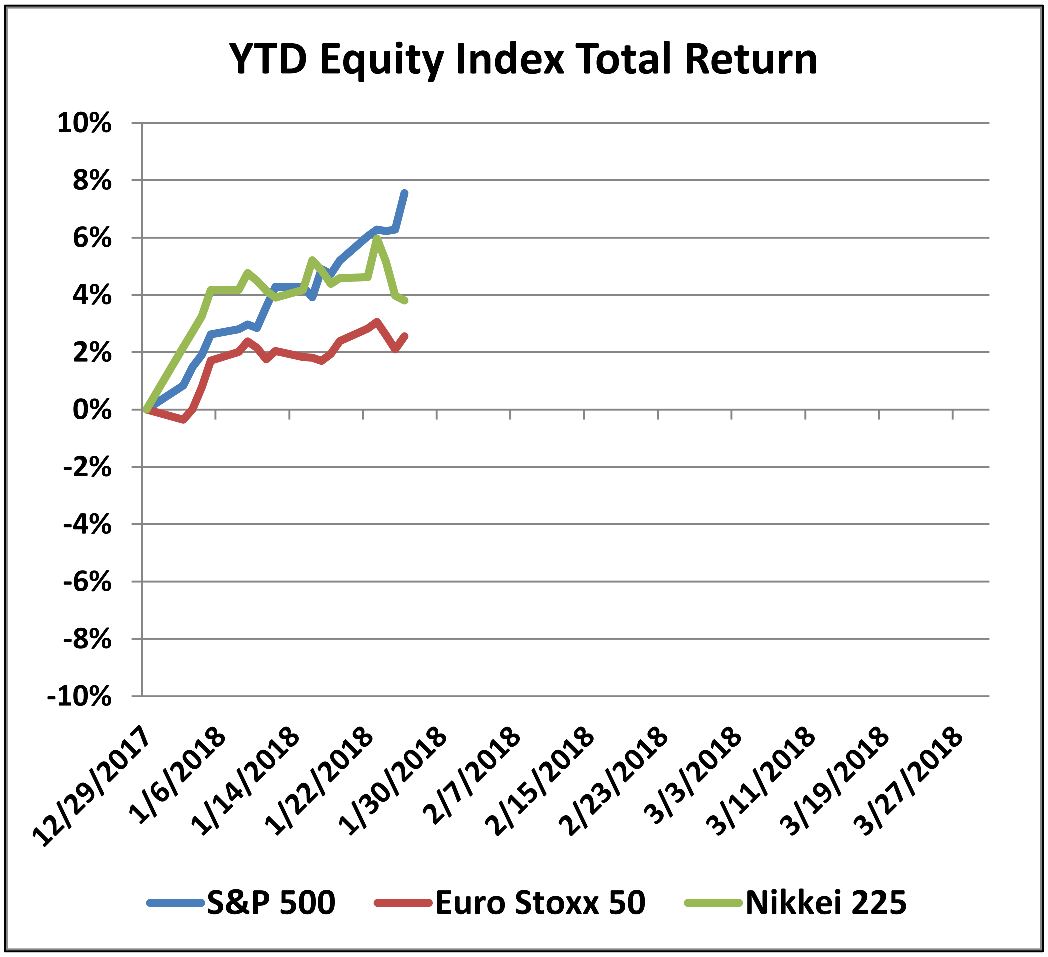


[1] Estimate as of 4/3/2018. Source: BarclayHedge, https://www.barclayhedge.com/research/indices/btop/index.html

Analysis of Equity Trend Returns

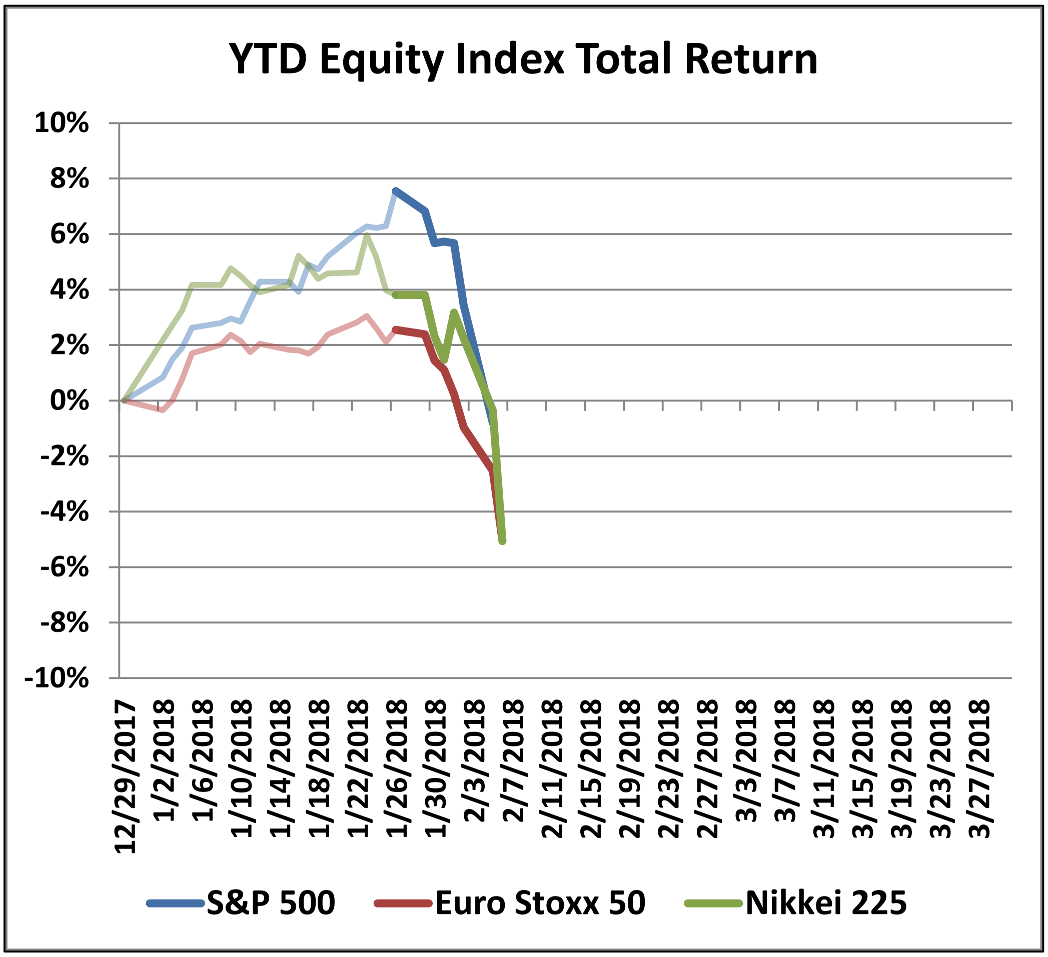
While equities were the dominant return driver for the full quarter, the effect of equity trend returns on Index performance was even more notable intra-quarter, varying substantially by sub-period.

Given the strong returns from global equities in 2017, AMFBI entered the new year already positioned net long the asset class. Those positions strengthened as the month of January progressed, due to an extremely fast start to the year for major equity indices. By mid-January, MFBI equity trends were strongly long across the board. **Through January 26, the Index's attribution from equity index futures was +1.33%.**

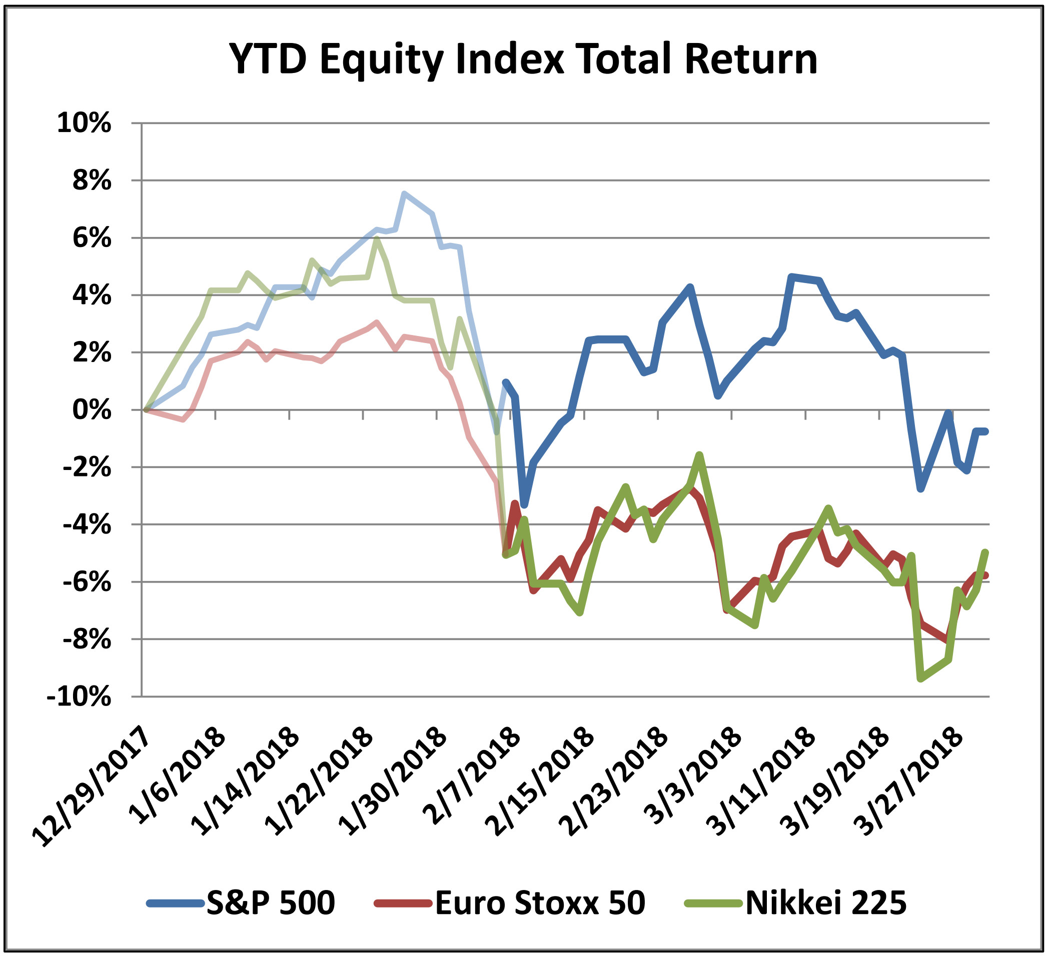


Equity gains initially were unshaken by a notable increase in market volatility (implied and actual) that began mid-month. But then, over the six trading days following the 1/26 high, an extremely rapid reversal caused global equity markets to give back all of their YTD gains and more.

Whenever markets first turn a corner, the initial leg of a new move is never a profitable period for trend following, and given the magnitude of the preceding uptrends and the violent pace of the reversal, those six days were a notable example of this phenomenon. **Equity attribution in AMFBI was -3.35% in those six days.**



On the next rebalance, the Trend model went net short equity futures, and generally remained so (if only mildly at times) thereafter, **producing +0.45% equity attribution for the remainder of the quarter**, as equity markets were volatile, choppy, and range-bound.



Other Asset Classes

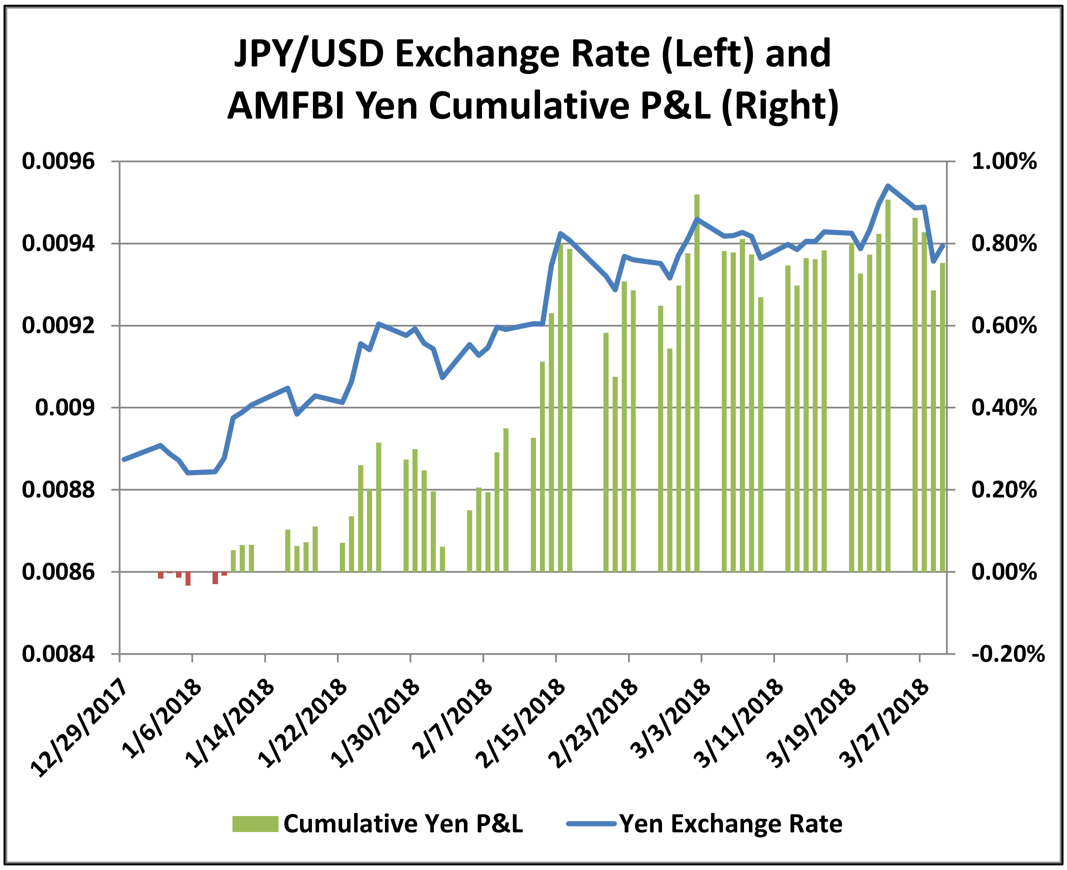
Fixed income markets remained on the short side throughout the quarter, and were mildly profitable. Notably, even the resurgent volatility did not create uptrends in fixed income. In fact, in the early stages of the equity drawdown, interest rates continued to rise.

Commodity and currency trend positioning also did not consistently join equities to the short side late in the quarter, such that the model (and the markets, for that matter) did not exhibit classic "risk-on/risk-off" behavior for the most part.

2018 AMFBI Trend Direction per Rebalance, Currencies and Commodities

	Currencies				Commodities							
Rebalance	AUD/USD	CAD/USD	EUR/USD	JPY/USD	Copper	Corn	Crude Oil	Gold	Heating Oil	Silver	Soybeans	Sugar #11
1/3/2018	Long	Long	Long	Long	Long	Long	Long	Long	Long	Long	Short	Long
1/10/2018	Long	Long	Long	Long	Long	Long	Long	Long	Long	Short	Short	Long
1/17/2018	Long	Long	Long	Long	Long	Long	Long	Long	Long	Long	Short	Short
1/24/2018	Long	Long	Long	Long	Long	Long	Long	Long	Long	Short	Long	Short
1/31/2018	Long	Long	Long	Long	Long	Long	Long	Long	Long	Long	Long	Short
2/7/2018	Long	Long	Long	Long	Long	Long	Long	Long	Long	Short	Short	Short
2/14/2018	Long	Long	Long	Long	Long	Long	Long	Long	Long	Short	Long	Short
2/21/2018	Long	Short	Long	Long	Long	Long	Long	Long	Long	Short	Long	Short
2/28/2018	Long	Short	Long	Long	Long	Long	Long	Long	Long	Short	Long	Short
3/7/2018	Short	Short	Long	Long	Long	Long	Long	Long	Long	Short	Long	Short
3/14/2018	Long	Short	Long	Long	Long	Long	Long	Long	Long	Short	Long	Short
3/21/2018	Short	Short	Long	Long	Short	Long	Long	Long	Long	Short	Long	Short
3/28/2018	Short	Short	Long	Long	Short	Long	Long	Long	Long	Short	Long	Short

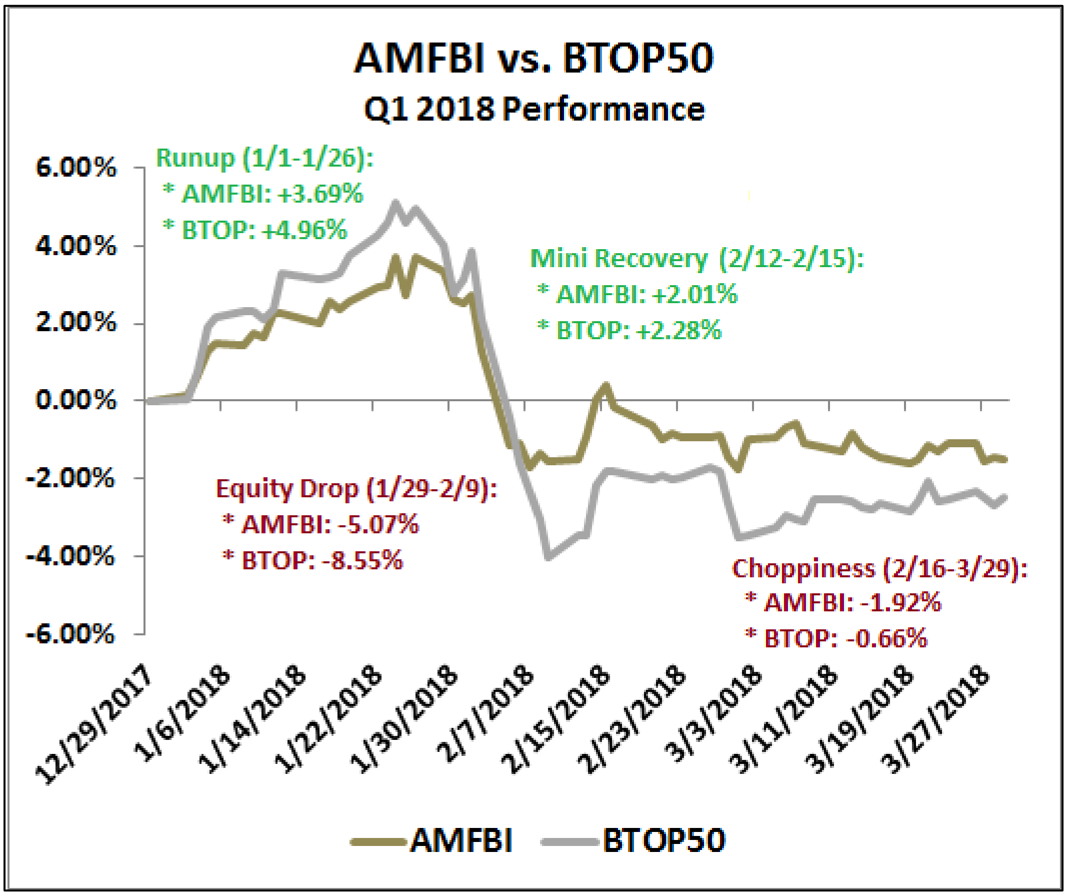
Thus, while volatility grew higher than was experienced all of 2017, the model is mostly still waiting for the emergence of tradable trends in risk assets outside of equity markets. However, as is sometimes the case with trend-following, a single successful trend—an uptrend in the Japanese yen, in this case—was able to pull the combined currency and commodity complexes into mildly positive territory for the full quarter.



Counter-trend had mildly negative attribution, but exposure to Counter-Trend was minimal through much of the volatile period from mid-January onward. I.e., an oft-elevated Broad Risk Indicator (BRI) reduced Counter-Trend exposure well below its maximum 25% weighting for much of the quarter, at times as low as 0% (leaving 100% exposure to Trend after BRI-driven integration).

Peer Comparison

In nearly every commentary, it seems that we have occasion to note how overlays like long equity tilts and volatility targeting among other trend following CTAs cause substantive differences in performance between AMFBI and industry benchmarks like the BTOP50 Index. In Q1, both sides of the differential were on display, as significantly greater average long equity exposure caused BTOP to outperform AMFBI in the runup and then underperform significantly in the subsequent drawdown.



February in particular, at -5.35%, was the worst month for BTOP since 2003.

Looking Ahead

While the sudden reversal of entrenched long equity trends and the lack of directional consensus among other risk assets produced mild losses for AMFBI in Q1, the return of volatility, if it holds up, is generally a cause for optimism. Of course, volatility is always bidirectional, and the ride may continue to be wilder from here. But whereas the wild ups and downs of an elevated volatility backdrop are often detrimental to risk asset performance, they have historically tended to accumulate to positive returns for traditional, unbiased trend following models like AMFBI.

Important Disclosures

Past performance is no guarantee of future results.

All AMFBI monthly returns shown do not include transaction cost, but are net of 1.50% for estimated fees and other expenses. An investor cannot invest directly in an index.

This document does not constitute an offer to sell or solicitation of an offer to buy any security. The information contained herein is provided for educational purposes only and is not intended to solicit interest in any investment opportunity.

Data has been obtained from reliable sources. Aspen Partners believes the information herein to be reliable; yet no warranty or guarantee is made as to its accuracy or completeness.

Benchmarks & Indices

AMFBI is constructed using a quantitative, rules-based model designed to replicate the trend-following and counter-trend exposure of futures markets by allocating assets to liquid futures contracts of certain financial and commodities futures markets. The index therefore seeks to reflect the performance of strategies and exposures common to a broad universe of futures markets, i.e., managed futures beta.

"Barclays AGG" represents The Bloomberg Barclays U.S. Aggregate Bond Index is a market capitalization-weighted index, meaning the securities in the index are weighted according to the market size of each bond type.

"BTOP50 Index" represents the Barclay BTOP50 Index, an index of the largest investable CTA programs, as measured by assets under management.

"Euro Stoxx 50" represents a stock index of Eurozone stocks designed by STOXX, an index provider owned by Deutsche Börse Group and SIX Group. It is made up of fifty of the largest and most liquid stocks.

"Goldman Sachs Commodity Index," also known as the S&P GSCI, is a long-only index of commodity returns.

"S&P 500" represents the S&P 500 Total Return Index, a widely recognized, unmanaged index of common stock prices.

"SG CTA Index (formerly, the Newedge CTA Index)" provides the market with daily performance benchmarks of major commodity trading advisors (CTAs).

The Barclays AGG, BTOP50 Index, Euro Stoxx 50, S&P GSCI, SG CTA Index, and S&P 500 are unmanaged and do not represent the attempt of any manager to generate returns on an investment. These benchmark indices do not include transaction costs and other expenses.

Definitions

Broad Risk Indicator (BRI): A proprietary, broad market risk analysis system.

Compound Annual Growth Rate: The year-over-year growth rate of an investment over a specified period of time.

Forex: A commonly used abbreviation for "foreign exchange," it is typically used to describe trading in the foreign exchange market by investors and speculators.

Maximum Drawdown: The greatest peak-to-trough decline during a specific period of an investment.

Sharpe Ratio: A measurement of risk-adjusted performance which subtracts the "risk-free" rate of return from an investment's performance.

Standard Deviation: A measurement of the annual rate of return's dispersion from its mean, indicating an investment's volatility.

TIPs: Treasury Inflation-Protected Securities provide protection against inflation. The principal of a TIPS increases with inflation and decreases with deflation, as measured by the Consumer Price Index.

VIX: The ticker symbol for the Chicago Board Options Exchange (CBOE) Volatility Index, which shows the market's expectation of 30-day volatility. It is constructed using the implied volatilities of a wide range of S&P 500 index options.